

DETERMINING AD VALOREM FEE LEVEL

The law which establishes ad valorem fees also provides an original fee level and three levels of depreciation which are used as the vehicle ages. Normally, the "0" level is used for new or current model year vehicles. The "1" level is used for one-year-old vehicles. The "2" level is used for two-year-old vehicles, and the "3" level is used for three-year-old vehicles. Once the license plate fee reaches the "3" level, it no longer changes as the vehicle continues to age.

There is one important variation in determining the plate fee level. If a vehicle owner transfers their license plate to a vehicle at the time of purchase, then only the \$8 transfer fee is collected. When the vehicle owner renews the license plate at a later date, they pay the fee level that would have been due on the date the plate was transferred. Thus, the level of depreciation may be delayed.

For a vehicle purchased as new, fees must be paid at the "0" level before fees are collected at the "1" level, and must progress to the "3" level. A transfer of vehicle ownership breaks this formula. (See used vehicle fee levels on the next page.) The Department's computer always keeps track of the next level due.

Examples of what happens with the levels of new vehicles:

- 1) An owner buys a new 2003 model in October, 2002. Her birthday is in May so the plate is issued for 8 months at the "0" level. When she renews in May, 2003, the owner pays the "1" level fee. The computer keeps track of the next level due. The method of determining the level changes only if ownership is transferred. (If she sells the car in June, the new owner pays the "0" level. See Used Vehicle instructions on the next page.)
- 2) An owner buys a new 2002 model in November, 2002. His birthday is in March so the plate is issued for 17 months at the "0" level. When he renews in March, 2004, the owner pays the "1" level, not the "2" level.
- 3) An owner buys a new 2002 model in early 2003. He transfers a plate expiring 02-12-04. When the plate is renewed in 2004, the "0" level fee is paid even though the vehicle is already two model years old. (The owner never paid the "0" or "1" level fees on the new vehicle.)

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DETERMINING AD VALOREM FEE LEVEL (cont.)

Used Vehicles and Vehicles From Out-of-State

When ownership is transferred or when a vehicle subject to ad valorem fees is brought to Michigan from another state, use the following formula:

Subtract the Model Year from the Calendar Year. This is the level of the plate fee. If the model year is newer than the calendar year, use the "0" level.

Examples: 2003 calendar year – 2001 model year = 2 level

2003 calendar year – 1999 model year = 4 (3 level), etc.

Chart for Used Vehicles and Vehicles from Out-of-State:

1984-00 Used Models

Sold in '03
or later = 3 level

2001 Used Models

Sold in '03 = 2 level
Sold in '04
or later = 3 level

2002 Used Models

Sold in '03 = 1 level
Sold in '04 = 2 level
Sold in '05
or later = 3 level

2003 Used Models

Sold in '03 = 0 level
Sold in '04 = 1 level
Sold in '05 = 2 level

For renewals, the Department's computer always keeps track of the next level due. The ad valorem fee at the proper level is printed on the registration renewal form.